



*Congress of the United States  
House of Representatives  
Washington, D.C. 20515*

May 8, 2002

The Honorable Billy Tauzin, Chairman  
Energy and Commerce Committee  
2125 Rayburn HOB  
Washington, D.C. 20515

Dear Chairman Tauzin,

We once again urge you to initiate a full investigation of the business conduct and pricing practices of the Enron Corporation in California and the West during 2000 and 2001. Twenty-four members of the California Delegation made a similar request to you in February of this year (letter attached), but as yet have not received a reply to that urgent request.

Recently produced internal memoranda show that Enron may have systematically gamed the energy trading system, using techniques that added to electricity costs and congestion on transmission lines. The documents also describe falsified power-delivery schedules, the submission of false information, and the effective increasing of costs to all market participants by knowingly increasing the congestion costs.

The Committee's investigation of Enron has unfortunately totally failed to look into the role the company played in causing and profiting from the Western energy crisis. While the Committee has found time to look into the practices of Enron's auditors and Wall Street investment banks, it has failed to examine the extent to which Enron -- or, for that matter, other power marketers -- manipulated energy markets.

These documents validate what many of us in the West who were forced to pay exorbitant prices claimed during the energy crisis -- that the rates charged by energy suppliers like Enron were the result of market manipulation.

Westerners were forced to pay unjust, unreasonable, and illegal rates during the energy crisis, and the Energy and Commerce Committee spent considerable time debating possible solutions to the market meltdown. No lasting reforms were adopted by the Committee. In fact, the Committee aborted its market reform efforts last May and declared the problem solved.

These issues are of the utmost importance to Western families and have been brought to the Committee's attention numerous times. For example, on May 21, 2001, Rep. Waxman wrote to you in detail regarding the causes of and solutions to California's electricity crisis. This letter explained how the

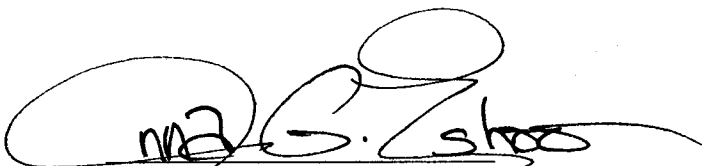
markets were being manipulated to gouge consumers and quoted Enron's CEO Mr. Ken Lay's statement that "[t]he system invites gaming." No response was forthcoming.

Witnesses have also testified about market manipulation by Enron. On February 13, 2002, Robert McCullough, an energy expert from Oregon testified to the Energy and Air Quality Subcommittee that it was "very likely" that Enron had the ability to affect energy prices in California. At that same hearing, Mr. Raymond Plank, Chairman and Chief Executive Officer of the Apache Corporation, testified that Enron and other marketers amounted to "hijackers," and that Enron "absolutely" manipulated gas markets. Again, the Committee failed to examine these critical issues.

We believe the Energy and Commerce Committee has the obligation and duty to examine Enron's business and pricing practices in California and the West during last year's energy crisis. We call on you to immediately utilize the Energy and Commerce Committee's investigatory arm to conduct an investigation into Enron's energy-trading activities. This full investigation must be followed by legislative hearings so that Members of Congress can conclude what must be done to prevent further gaming of our electricity system. While Enron Corporation may have imploded, the structure that allowed the company to gouge Western energy customers remains in place.

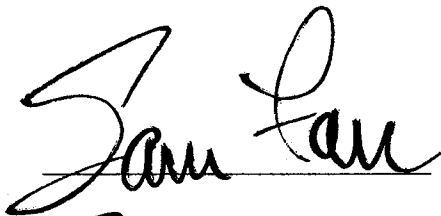
We look forward to your prompt reply.

Sincerely,

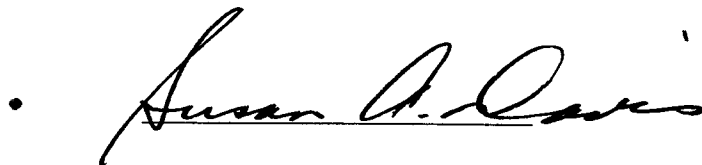
  
Mark E. Stiles

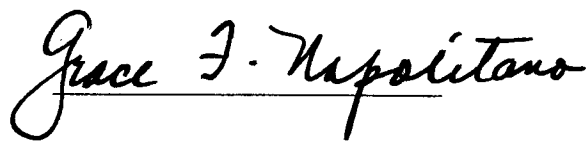
  
Lynn C. Woolsey

  
Diane E. Watson

  
Sam Lau

  
Harold H. Burton

  
Susan D. Davis

  
Grace I. Napolitano

  
Ed Laffer

  
Bob Shriver

  
Lucille Roybal-Allard

Walter Shorn

Barbara Lee

~~Sumit Chatterjee~~

Nancy Pelin

Bob Bell

Steve Herman

James Sam

Bob Fisher

Hayme Waters

Joe Brea

Engel Miller

Loretta Sanchez

Mike Horn

Cal Dooler

Hilda Holis

Craig Cummings

Tom Lantos

Robert J. Matsui

Jim M. Bennett

Bill Brown

Pete DeFazio

Henry Anspaugh

Ellen Taubman

Lois Capps

Jeff Amodeo

Pete Stark

May 8, 2002 -- Letter to Chairman Tauzin  
Signers --

Representatives:

- 1) Eshoo\*
- 2) Waxman\*
- 3) Capps\*
- 4) Harman\*
- 5) Susan Davis
- 6) Woolsey
- 7) Napolitano
- 8) Watson
- 9) Lofgren
- 10) Farr
- 11) Sherman
- 12) Berman
- 13) Roybal-Allard
- 14) Mike Thompson
- 15) Waters
- 16) Barbara Lee
- 17) Baca
- 18) Millende-McDonald
- 19) George Miller
- 20) Pelosi
- 21) Loretta Sanchez
- 22) Schiff
- 23) Honda
- 24) Harman
- 25) Dooley
- 26) Becerra
- 27) Solis
- 28) Condit
- 29) Lantos
- 30) Matsui
- 31) Tauscher
- 32) McDermott
- 33) Baird
- 34) Inslee
- 35) DeFazio
- 36) Stark

\*Member of the Energy and Commerce Committee



*Congress of the United States  
House of Representatives  
Washington, D.C. 20515*

February 14, 2002

The Honorable Billy Tauzin, Chairman  
Energy and Commerce Committee  
2125 Rayburn HOB  
Washington, D.C. 20515

Dear Chairman Tauzin,

We write to urge you to hold a hearing on the business conduct and pricing practices of the Enron Corporation in California and the West during 2000 and 2001.

While the Committee's attention has focused on the financial and accounting practices of Enron and its auditor, Arthur Andersen L.L.P., there are many other troubling aspects regarding the case that we should examine. We're concerned that these important aspects are being overlooked.

As you know in November of 2000, the Federal Energy Regulatory Commission (FERC) declared that consumers in California had been and were paying "unjust and unreasonable" rates.

We must know if Enron influenced the exponential increase in wholesale electricity rates during 2000-2001. FERC has discovered instances of calculated withholding by marketers and generators operating in the West. There have been allegations of "megawatt laundering" and other activities designed to circumvent price mitigation rules and keep prices artificially high. In testimony before the Senate Energy and Natural Resources Committee in January, Mr. Robert McCullough, Managing Partner, McCullough Research of Portland, Oregon, stated:

On December 3rd, Enron went into Chapter 11. At the same time, forward markets on the West Coast fell by 30%. No other changes in operations, hydroelectric supply, or fossil fuel prices took place at that time. The clear implication is that Enron may have been using its market dominance to "set" forward prices.

We must find out the degree to which Enron participated in these types of schemes.

We must also find out the extent to which Enron's lobbying influenced the Administration to permit price gouging in the West, and any influence that Enron and its executives could have had in the selection of the regulators who oversee the energy industry.

The *San-Diego Union-Tribune* (May 27, 2001 edition) detailed a meeting between former Enron CEO Kenneth Lay and Vice President Cheney that took place on April 17, 2001:

As Cheney was crafting the administration's recently unveiled energy policy, Lay was one of the handful of people who got to meet with him. Lay presented a three-page, eight-point list of

priorities for open power markets, including an admonition that the administration 'should reject any attempt to re-regulate wholesale power markets' with price caps or other controls.

On April 18, 2001, one day after meeting with Mr. Lay, the Vice President telephoned the *Los Angeles Times* to declare the Administration's opposition to measures to curb price gouging.

This was not the limit of Enron's efforts to influence the Administration.

During interviews for the television program *Frontline* last year, Mr. Lay acknowledged that he and other Enron executives screened potential nominees to FERC. He also admitted that he presented a list of Enron-favored nominees to Clay Johnson, Director of the Office of Presidential Personnel (interview transcript at [www.pbs.org/wgbh/pages/frontline/shows/blackout/interviews](http://www.pbs.org/wgbh/pages/frontline/shows/blackout/interviews)).


Other parts of these interviews indicate that Mr. Lay and Enron attempted to leverage this influence at the White House in order to convince the Commission to adopt their philosophy on open access.

In a separate interview for *Frontline* in 2001, then-FERC Chair Curtis Hébert was told, "Our sources tell us that he [Mr. Lay] offered to talk to the President on your behalf if you would go along with what he wanted [open access to wholesale and retail markets]." Mr. Hébert responded, "I don't think there's any doubt he would be a much stronger supporter of mine if I ... were willing to do what he wanted." Mr. Hébert was also asked, "Has any other CEO of any company ever called you privately to lobby their position?" Mr. Hébert said, "No."

Finally, Mr. Hébert was asked, "Because of the sensitivity of this, it is not incorrect to characterize these communications [between you and Mr. Lay] as ones that involve (1), policy, and (2), his [Mr. Lay's] ability to help you in some fashion?" Mr. Hébert answered, "There's no doubt Ken Lay and I have had communications as to policy and the direction he would like to see this Commission move in. There is also no doubt that he and I have had conversations as to whether or not he was supporting me for the [FERC] chairmanship."

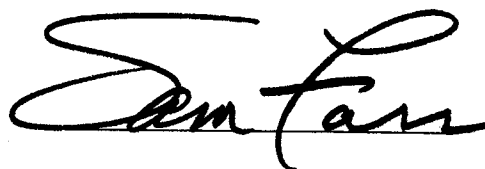
It's clear that Enron took advantage of weaknesses in every regulatory structure. We believe that it's the duty of the Congress, particularly the Committee on Energy and Commerce, to examine Enron's business and pricing practices in California and the West during last year's energy crisis, and we therefore request that you schedule a hearing on these issues as soon as possible.

Sincerely,



Mike Shuman

Bud Shuman



Lois Capps

Lynn Woolsey

Joe Brown

Barbara Lee

Shane E. Watson

Larry Pelosi

Aaron L. Davis

Henry A. Waxman

Maxine Waters

Pete Stark

Mike Hand

Luella Ryland Allard

Janet Turner

Constance

Grace F. Kapulitano

Hilda L. Solis

George Miller

Bob Filner

David L. Bonior

Ellen Tauscher



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